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UNCLAS OTTAWA 001960

SIPDIS

SENSITIVE

DEPARTMENT FOR EB/IFD, EB/OMA, WHA/EPSC, AND WHA/CAN  
STATE PASS FEDERAL RESERVE BANK FOR CHUGH  
STATE PASS SEC FOR JACOBS  
TREASURY FOR WILBUR MONROE AND DAVID NAGOSKI  
PARIS ALSO FOR USOECD

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [CA](#)

SUBJECT: CANADA'S BUDGET BILLS PASS THE HOUSE OF COMMONS IN  
LEGISLATIVE SLEIGHT OF HAND

REF: A. OTTAWA 1802

[1](#)B. OTTAWA 640

[1](#)1. (SBU) In an unexpected parliamentary maneuver, the Liberal Party, with strong support from the New Democrats and acquiescence by the Bloc Quebecois, passed bill C-48, the C\$4.6 billion in supplemental spending that will provide additional funding for post-secondary education, low-income housing, environment-friendly measures to boost municipal public transport and energy efficiency for low-income homeowners and foreign aid (ref A). The economic impact of the additional spending, a small amount spread over two years, is minimal in the context of a C\$2 trillion economy and given the fact that much of the money may go into trust funds or multi-year spending programs (to fund, for example, low-income housing) that will dilute its immediate impact. This additional spending will only take place if the GOC's fiscal surplus exceeds a minimum threshold, but the Prime Minister has said that the GOC expects to be able to fully fund the programs. There is no procedure for prioritizing spending should the surplus be insufficient to fund all the initiatives in C-48, (although a GOC official opined that the additional funding for foreign aid would be towards the bottom of the list).

Caught by Surprise

[1](#)2. (SBU) The Conservative Party expected the vote on C-48 to occur the week of June 27 and had blustered that they had the numbers to defeat the bill. Their MPs were ordered to be in place and ready for the confidence vote this week. Apparently some Conservatives took this as assurance that there would be no vote on June 23 and made travel plans accordingly. The Liberals forced the sudden vote using an obscure rule that permits ending debate instantly if a majority of parties agree. With the New Democrats on board, it was a matter of persuading the Bloc Quebecois to endorse the move. The Bloc, stating it had made all its points on C-48 and was eager to move on to debate the same-sex marriage legislation, endorsed the proposal, opening the way to the June 23 late-night vote. The press reports that seven Conservatives were missing.

Smooth sailing ahead for budget legislation

[1](#)3. (SBU) The legislation must now pass the Senate and receive royal assent from the Governor General, both of which will be done before parliament breaks for the summer. (Note: Bill C-43, the basic budget bill, is being currently considered by the Senate and may be approved today. End note.) Although the FY2005-06 budget legislative process is now safely on track and there is no further possibility of a budget-related confidence vote that could topple the government, the Department of Finance is prepared for future unbudgeted funding demands. The minority Liberal Party will spend the summer in campaign mode and the Prime Minister could make expensive promises. There is a First Ministers' meeting (with the Prime Minister and provincial leaders) on aboriginal issues scheduled for the fall, which could result in some tough unexpected funding demands. In addition, special revenue deals over the past year for Ontario, Quebec, Newfoundland and Labrador, and Nova Scotia, could lead to demands from other provinces for additional federal largesse.

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